



INDUSTRY CIRCULAR

DEPARTMENT OF
THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

Washington, DC 20226

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Elimination of the Bond Requirement for Tax-Free Alcohol Users

To: All Tax-Free Alcohol Users

Purpose. The purpose of this industry circular is to announce the publication of the final rule eliminating the requirement for users of tax-free alcohol to file a bond. This final rule will be effective May 1, 2001.

Background. The use of tax-free alcohol is limited under Federal law to States or their political subdivisions, the District of Columbia, or to such organizations as educational institutions, scientific universities or colleges, laboratories devoted exclusively to research, hospitals, pathology laboratories, and non-profit hospitals and clinics. Tax-free alcohol may be used only for the purposes specified in §22.101 of title 27 of the Code of Federal Regulations. Before procuring tax-free alcohol, each user must obtain an Industrial Alcohol User's Permit.

The laws and regulations governing tax-free alcohol were originally established to protect the government against any loss of revenue if the alcohol were diverted to beverage uses. From 1985 to the present, ATF had required that certain larger-volume users post a bond in order to qualify for their permits. The amount of the bond was based on the potential tax value of the alcohol the permittee used.

Based on its experience in regulating this industry since 1985, ATF concluded that tax-free alcohol users pose a minimal risk to revenue, and that bond coverage should no longer be required of any applicant for a permit to use tax-free alcohol.

Bond Termination. Upon the effective date of the final rule, ATF will no longer require new applicants for a permit to use tax-free alcohol to file a bond. In addition existing permittees may discontinue their current bond.

Inquires. For further information please contact the National Revenue Center at (513) 684-7150 or by writing to: Chief, National Revenue Center, Bureau of Alcohol, Tobacco and Firearms, 8002 Federal Office Building, 550 Main Street, Cincinnati, OH 45202.

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